



PropertyGuru Group Ltd.

Cooling measures to affect growth

24 November 2022

UNITED STATES | INTERNET | 3Q22 RESULTS

- Revenue in line with expectation while earnings missed. 9M22 revenue at 66% of FY22e forecast. 9M22 Adj. EBITDA/net loss came in at 30%/125% of forecasts due to higher than expected employee compensation and other expenses.
- Vietnam revenue spiked 161% YoY while Malaysia grew 49%. Singapore remains the largest market, growing 28%. ARPA/ARPL increased by 24%/2.5% and achieved ~87% renewal rate. Government cooling measures are expected to pose headwinds in 4Q22.
- We cut our FY22e revenue by 6% and PATMI by 24% to account following management guidance of macroeconomic headwinds and increased cost assumptions. Downgrade to ACCUMULATE with a lowered DCF target price of US\$5.30 (prev. US\$5.73), with a WACC of 10.1% and g of 3%.

ACCUMULATE (Downgraded)

CLOSING PRICE	USD 4.99
FORECAST DIV	USD 0.00
TARGET PRICE	USD 5.30
TOTAL RETURN	6.2%

COMPANY DATA

Bloomberg CODE:	PGRU US
O/S SHARES (MN):	162
MARKET CAP (SGD mn / USD mn):	1108 / 807
52 - WK HI/LO (USD):	10.1 / 4.11
3M Average Daily T/O (mn):	0.02

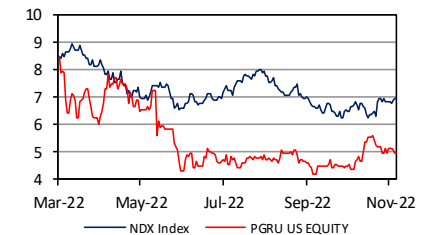
MAJOR SHAREHOLDERS

TPG GP A LLC	30.0%
Kohlberg Kravis Roberts & Co LP	26.9%
REA Group Ltd	17.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
PROPERTYGURU	13.9	5.1	(49.8)
NASDAQ	4.8	(7.9)	(26.8)

PRICE VS. NASDAQ



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY20	FY21	FY22e	FY23e
Revenue	82.1	100.7	137.0	178.1
EBITDA	(21.8)	(50.5)	(126.9)	37.2
Net Profit	(14.4)	(187.4)	(123.2)	19.7
EPS (SGD)	(13.3)	(78.8)	(0.7)	0.1
P/E (X)	NM	NM	NM	41.8
ROE	54%	-48%	-18%	3%
ROA	-5%	-37%	-15%	2%

Source: Company, PSR

VALUATION METHOD

Discounted Cash-Flow, WACC 10.1%, g 3.0%

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Results at a glance

S\$ mn	3Q22	3Q21	YoY	Comments
Revenue	34.6	23.5	47.1%	
- Marketplaces	33.3	22.5	48.0%	
- Singapore	18.1	14.2	28.2%	ARPA up 24%, ~300 new subscribers QoQ
- Vietnam	6.2	2.4	160.9%	Number of listings jumped 165%, ARPL up 2.5%
- Malaysia	6.5	4.4	48.9%	
- Fintech & Data Services	1.3	1.0	27.6%	
Adj. EBITDA	5.7	-1.5	495.7%	
PATMI	-7.4	-9.6	22.8%	

Source: Company, PSR

The Positives

+ Marketplaces continued strong growth. Segment revenue grew 48% YoY to S\$33.3mn, led by jumps in Vietnam and Malaysia. Vietnam revenue spiked 161% to S\$6.2mn, benefitting from a favorable comparison and the easing of COVID-related lockdowns with number of listings surging 165% during the quarter. Revenue from Malaysia grew 49% to S\$6.5mn, reflecting the benefits of its acquisition of iProperty. Singapore remained the largest contributor segment with revenue growing 28% to S\$18.1mn. The company was also able to attract ~300 new subscribers QoQ, bringing the total number of agent customers in the country to 15,351.

+ Increasing monetization of agent customers. Average revenue per agent (ARPA) in the Singapore market rose 24% YoY to S\$1,042 while the average revenue per listing (ARPL) in Vietnam increased by 2.5%, due to increase in premium product adoption and discretionary spendings by customers. PGRU was also able to achieve a high renewal rate of ~87% in 3Q22, up from 82% in 2Q22, despite the company raising its subscription prices by ~15% that took effect on 1 September 2022. PGRU also expects to raise prices in Malaysia in December.

The Negatives

- Macroeconomic headwinds and government initiatives to weigh on growth. Management has revised its FY22e revenue guidance to between S\$134mn and S\$138mn, a growth of 33-37%, down from the previous guidance of 44%, mainly due to macroeconomic uncertainties arising from cooling measures implemented by local governments. Singapore's increased taxes and stamp duties; decreased maximum LTV loan ratios; and the 15-month wait period for private HDB buyers; as well as Vietnam's credit restrictions for home buyers and developers are expected to reduce activity in the real estate market. Additionally, the election in Malaysia is also expected to put home buyers and developers on a more cautious stance. These factors can potentially impact the income of agents and businesses of developer customers, thus affecting their spending power.

Outlook

PGRU believes the macroeconomic headwinds that it faces heading into 4Q22 are temporary in nature. Management viewed the government interventions as a signal that they are confident in their respective real estate markets and are actively taking actions to prevent the sector from overheating, which started the property market crisis in China. Therefore, our forecasts for FY23e remain unchanged.

Q4 is the strongest quarter of the financial year for PGRU. This is because home sales tend to peak during the period due to the absence of regional holidays, such as the Chinese New Year that typically falls in Q1; and Thailand's Songkran and Hari Raya that occur in Q2. PGRU's awards business also takes place during the quarter, which contributes to the period's total revenue. However, management has indicated that the awards business margin is not as high as its other segments. Furthermore, the peak sales are also expected to be partially offset by the increased costs, mainly from the company's seasonal marketing campaigns.

During 3Q22, PGRU acquired SendHelper, a Singapore-based company that allows homeowners and tenants to book home services from verified providers through its mobile application. The management is not expecting a substantial revenue contribution from SendHelper within FY22 and has emphasized that the acquisition is to extend PGRU's value proposition to its customers. The 4Q22 guidance provided by the management has excluded the potential impact from SendHelper. PGRU also launched "PropertyGuru For Business", a separate platform that consolidates the company's B2B product offerings. The segregation maintains the same overarching business model and aims to ease institutional clients' usage of PGRU's platform in finding the appropriate B2B solutions.

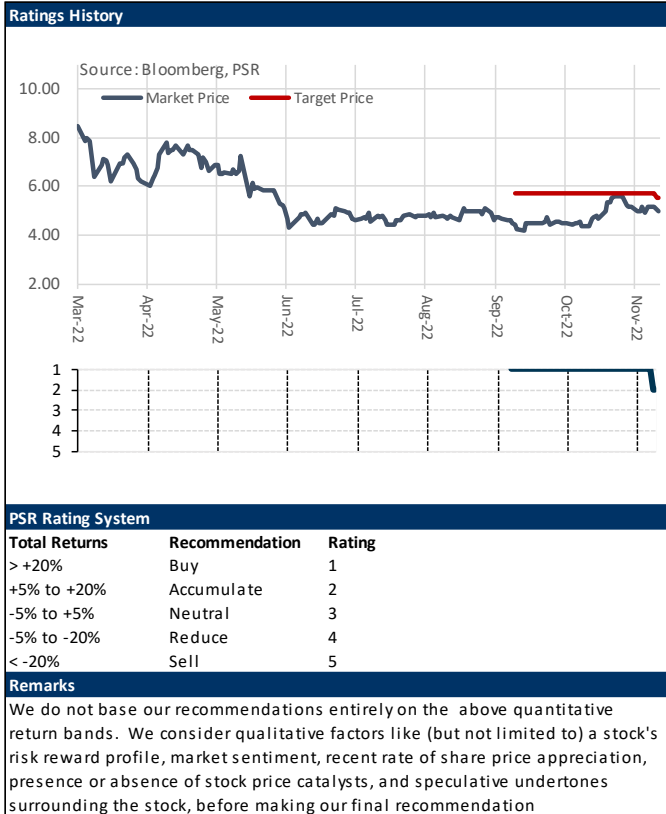
Figure 1: FY22 PGRU guidance vs PSR

Category	Metric	PGRU	PSR
Revenue	S\$ mn	134.0 to 138.0	137.0
Adj. EBITDA	S\$ mn	8.0 to 12.0	12.0
Adj. EBITDA margins	% margin	5.9% to 8.7%	8.8%

Source: Company, PSR

Downgrade to ACCUMULATE with a lowered target price of US\$5.30 (prev. US\$5.73)

We cut our FY22e revenue by 6% and PATMI by 24% to account for macroeconomic headwinds and increased cost assumptions. We downgrade to ACCUMULATE with a lowered target price of US\$5.30 (prev. US\$5.73), with a WACC of 10.1%, and a terminal growth rate of 3%.



Financials

Income Statement

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
Revenue	88.4	82.1	100.7	137.0	178.1
Gross profit	75	70	86	116	151
EBITDA	(10.5)	(21.8)	(50.5)	(126.9)	37.2
Depreciation & amortisation	(7.7)	(9.6)	(14.0)	(21.1)	(20.7)
EBIT	(18.2)	(31.3)	(64.5)	(148.0)	16.5
Other gains/(losses)	(16.5)	17.5	(123.2)	24.4	7.3
Profit before tax	(34.7)	(13.8)	(187.7)	(123.6)	23.8
Taxation	(3.8)	(0.6)	0.3	0.3	(4.0)
PATMI	(38.5)	(14.4)	(187.4)	(123.2)	19.7

Per share data (SGD)

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
EPS	(25.2)	(13.3)	(78.8)	(0.7)	0.1
BVPS		(14.7)	162.9	4.0	4.2

Cash Flow

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit after tax	(38.5)	(14.4)	(187.4)	(123.2)	19.7
Adjustments	46.7	21.1	164.3	111.7	29.3
WC changes	6.0	(2.6)	22.3	25.7	(14.4)
Cashflow from ops	13.9	2.7	(2.5)	14.6	35.0
CFI					
CAPEX, net	(21.1)	(22.5)	(10.8)	(16.2)	(0.9)
Others	-	0.05	0.01	-	-
Cashflow from investments	(21.1)	(22.4)	(10.8)	(16.2)	(0.9)
CFE					
Loans, net of repayments	-	5.0	10.6	(16.9)	-
Lease repayments	(2.1)	(3.8)	(4.1)	-	-
Proceeds from preference shares	-	86.4	-	-	-
Proceeds from ordinary shares	1.7	2.1	0.1	0.7	-
Repayment of convertible notes	(31.2)	-	(11.3)	-	-
Proceeds from Reorganisation	-	-	-	142.1	-
Proceeds from PIPE	-	-	-	178.7	-
Transaction cost of PIPE	-	-	-	(7.7)	-
Cashflow from financing	(37.6)	88.4	(9.9)	296.4	(1.0)
Net change in cash	(44.7)	68.7	(23.1)	294.8	33.1
CCE, end	24.7	93.4	70.2	365.1	398.2

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY20	FY21	FY22e	FY23e
ASSETS				
Trade and other receivable	14.1	17.7	22.5	29.3
Cash & cash equivalents	93.4	70.2	365.1	398.2
Total current assets	107.5	87.9	387.6	427.5
Intangible assets	140.7	401.2	396.6	376.8
Others	20.0	20.3	20.3	20.9
Total non-current assets	160.7	421.5	416.9	397.6
Total assets	268.2	509.4	804.5	825.1
LIABILITIES				
Accounts payable	23.6	32.9	54.7	31.0
Preference shares	199.5	-	-	-
Deferred revenue	34.5	47.3	56.3	73.2
Total current liabilities	279.1	89.4	120.0	113.2
Long-term borrowings	-	16.7	-	-
Long-term lease liabilities	13.6	12.5	12.5	12.5
Others	2.0	3.5	3.7	3.4
Total non-current liabilities	15.6	32.7	16.2	15.8
Total liabilities	294.7	122.2	136.1	129.0
Equity				
Share capital	36.6	684.3	1,082.6	1,082.6
Shareholder equity	(26.5)	387.2	668.3	696.1

Growth & Margins

Y/E Dec	FY20	FY21	FY22e	FY23e
Growth				
Revenue	-7.2%	22.7%	36.0%	30.0%
EBITDA	-108%	-132%	-151%	129%
EBIT	-72%	-106%	-129%	111%
Net Income	63%	-1201%	34%	116%
Margins				
Gross margin	85.0%	85.0%	85.0%	85.0%
EBITDA margin	-26.5%	-50.1%	-92.7%	20.9%
EBIT margin	-38.2%	-64.1%	-108.1%	9.2%
Net margin	-17.6%	-186.1%	-90.0%	11.1%
Key Ratios				
ROE	54.3%	-48.4%	-18.4%	2.8%
ROA	-5.4%	-36.8%	-15.3%	2.4%
Net Gearing	CASH	CASH	CASH	CASH
Net Debt/EBITDA (X)	CASH	CASH	CASH	CASH

Valuation Ratios

Y/E Dec	FY20	FY21	FY22e	FY23e
P/E (X)	NM	NM	NM	41.8
P/B (X)	NM	NM	1.2	1.2
EV/EBITDA (X)	NM	NM	NM	19.6

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